

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1909
Version: As introduced

DATE: February 24, 2014

Authors: Drazkowski

Subject: Making numerous changes to various taxes

Analyst: Pat Dalton, 651-296-7434
Joel Michael, (joel.michael@house.mn)
Steve Hinze, (steve.hinze@house.mn)
Colbey Sullivan, 651-296-5047

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd/hrd.htm.

Overview

Repeals a number of tax increases enacted in the 2013 legislative session, including:

- an increase in the number of counties allowed to impose a wheelage tax, as well as the wheelage tax rate;
- imposition of sales tax on a number of business transactions previously exempt from the tax, including certain repair and maintenance labor, storage and warehouse services, and telecommunication capital equipment;
- school referendum levies that can be imposed by school boards without voter approval;
- the student achievement levy;
- a prohibition against reducing property values due to conservation easements;
- the gift tax and the extension of the estate tax to gifts made within three years of death, retroactive to their original effective dates (gifts after June 30, 2013).

Section

It also reinstates a referendum requirement before imposition of certain county local sales taxes to fund transportation projects and undoes changes to the Department of Agriculture's commercial animal waste technician licensing program that were enacted in 2013.

- 1-6 Commercial animal waste technician licensing.** Sections 1-6 undo changes to the Minnesota Department of Agriculture's commercial animal waste technician licensing program that were enacted in 2013 (Laws 2013, ch. 114, art. 2, §§ 41-42). In particular, sections 1-6 would eliminate two new license categories, allow an unlicensed and trained person to apply animal waste under the supervision of a licensed technician, and reduce the license fee to the prior level.
- 7-9 Referendum equalization.** Eliminate the third tier of referendum levy equalization established in the 2013 tax bill; restores equalization tiers to previous levels.
- 10 Tax authorized (wheelage tax).** Modifies the authorized county wheelage tax by reducing the allowed rate to \$5 per year and limiting the authority to metropolitan counties. This returns the tax to the form it took prior to the 2013 session. The 2013 session increased the rate from \$5 per year up to \$10 per year on January 1, 2014, and up to a maximum of \$20 per year after January 1, 2018. It also extended the authority from the seven counties in the Twin Cities metropolitan area to all counties in the state. For any other counties that may have imposed a wheelage tax under the 2013 provisions, the tax is repealed effective for motor vehicle registrations on or after January 1, 2015.
- Effective for all motor vehicle registrations on or after January 1, 2015.
- 11 Collection by registrar of motor vehicles.** Modifies a reference to "any county" by limiting it to metropolitan counties, regarding collection of wheelage taxes. This conforms with the changes in section 10.
- Effective for all motor vehicle registrations on or after January 1, 2015.
- 12 Tax proceeds deposited; cost of collection; appropriation.** Limits the crediting of wheelage taxes to accounts for each metropolitan county to conform with the change in section 10.
- Effective for all motor vehicle registrations on or after January 1, 2015.
- 13 Distribution to county; appropriation.** Limits the distribution of wheelage tax revenues to only metropolitan counties to conform with the change in section 10.
- Effective for all motor vehicle registrations on or after January 1, 2015.
- 14 Metropolitan county defined.** Defines "metropolitan county", used in sections 10 to 13, as the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. This is the same definition of metropolitan county used for wheelage tax purposes before the 2013 session.

Section

- 15 Gift tax data.** Eliminates the reference to the gift tax, which is repealed by section 25, in the law governing the classification of tax data.
- 16 Gift tax return.** Repeals the provision of law limiting inspection of gift tax returns to taxpayer, since the tax is repealed by section 25.
- 17 Conservation property tax valuation.** Allows assessors to reduce the value of all properties subject to conservation easements (under current law plus administrative guidance, assessors may not reduce the value of land under conservation easements entered into after May 23, 2013).
- 18 Adjusted taxable estate.** Excludes from Minnesota adjusted taxable estate (the tax base for the estate) the value of taxable gifts (those that exceed the annual per recipient exclusion of \$14,000) and the associated provisions that specify which of these gifts are treated as having Minnesota nexus. The addition of gift made within three years of death was enacted by the 2013 legislation. The repeal would be retroactive to the original effective date, gifts made after June 30, 2013.
- 19 Gift tax credit.** Repeals the credit against the estate tax for gift tax paid, since section 25 repeals the gift tax.
- 20 Sales and purchase.** Modifies the definition of taxable sale by removing business purchases of: (1) repair and maintenance of electronic and precision equipment; (2) repair and maintenance of commercial and industrial equipment; and (3) warehousing and storage services. Makes the change retroactive to July 1, 2013, although the tax on storage and warehousing is not effective until April 1, 2014. Provides that anyone who paid taxes on these services may apply for a direct refund either under current law or under the temporary refund provision in section 24.
- 21 Telecommunication and pay television services machinery and equipment.** Exempts machinery and equipment used in providing telecommunications and pay television services from sales tax. The exemption does not extend to wire, cable, fiber, poles, or conduit. The language is identical to the telecommunications sales tax exemption repealed in 2013 except that it now references “pay television” rather than “cable television and direct satellite”. The exemption is retroactive to July 1, 2013, and provides that qualified purchasers who paid taxes on this equipment between July 1, 2013, and before July 1, 2014, may apply for a direct refund either under current law or under the temporary refund provision in section 24.
- 22 Authorization; rates.** Reinstates the requirement that any county outside of the metropolitan transportation area that wishes to impose a local sales tax of up to one-half of one percent for transportation projects must get voter approval at a general election. The voter approval requirement was removed during the 2013 legislative session. Effective the day after final enactment.
- 23 Recision of board-approved referendum levies.** Provides that any referendum levies approved by school boards (rather than voters) are rescinded.

Section

- 24** **Sales tax temporary refund mechanism.** Provides that any purchaser owed a refund of sales tax under sections 20 or 21, that currently may only get refund by working with the seller, may apply directly to the Department of Revenue for a refund. They may only apply for one refund to cover the entire period. Businesses registered to collect sales tax that are owed a refund of at least \$500 are already allowed to file for a direct refund and must use the mechanism provided for that purpose under section 289A.50, subdivision 2a.
- 25** **Repealer.** Paragraph (a) repeals the student achievement levy, and repeals the board-approved school referendum levy.

Paragraph (b) repeals the gift tax, which includes the following sections:

Section	Description
292.16	Definitions for the gift tax chapter
292.17	Imposition of gift tax
292.18	Gift tax returns
292.19	Gift tax filing requirements
292.20	Appraisal of property for gift tax purpose
292.21	Gift tax administrative provisions